

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

SAM-01 DRC-01 /177 W

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FM AMEMBASSY BUENOS AIRES

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E.O. 11652: GDS

TAGS: ECON, ETRD, EFIN, EIND, CU, AR

SUBJECT: ARGENTINE TRADE WITH CUBA--US SUBSIDIARIES

REF: (A) BUENOS AIRES 1100

(B) STATE 015701

(C) BUENOS AIRES 0436

(D) BUENOS AIRES 0435

1. SUMMARY: FORD ARGENTINA INFORMS PRESSURE BUILDING CONCERN-
ING POSSIBLE SALE AUTOS AND TRUCKS TO CUBA. REPORTS THAT US
AGENCIES ASKING TO SEE EVIDENCE OF CONCRETE SALE AND ACCOMPANYING
FINANCIAL TRANSACTION. FORD REQUESTING ADVICE THROUGH EMBASSY
ON BEST MANNER TO PROCEED, VIS-A-VIS CUBAN TRADE MISSION AND GOA.
DEPARTMENT RESPONSE REQUESTED. END SUMMARY.

2. RESIDENT MANAGER COURARD, FORD ARGENTINA, CALLED ON AMBASSADOR
HILL FEBRUARY 14 AND REPORTED: A) GOVERNMENT AFFAIRS DIVISION
FORD, IN DETROIT, HAS TOLD SUBSIDIARY CHIEFS THAT WASHINGTON
AGENCIES CONSIDERING FORD REQUEST FOR LICENSE WHICH WOULD ALLOW
FORD ARGENTINA SELL FALCON AUTOS AND HEAVY TRUCKS TO CUBA (THESE
CONTAIN SMALL PERCENTAGE US-MANUFACTURED COMPONENTS) HAVE INDI-
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CATED THEY WISH TO SEE A SIGNED CONTRACT BETWEEN FORD ARGENTINA

AND CUBAN AUTHORIZED BUYER PLUS EVIDENCE OF LETTER OF CREDIT WHICH WOULD FINANCE FIRST PORTION OF PURCHASE; B) CUBAN PURCHASING MISSION HAS PROVIDED STANDARD OR PRO FORMA CONTRACT TO FORD ARGENTINA; AND C) CUBAN DEMAND FOR IMMEDIATE DELIVERY PROTOTYPE-SAMPLE FALCON FOR TESTING IN CUBA HAS BEEN FINESSED BY FORD ARGENTINA WITH RESPONSE THAT WHEN IT IS CLEAR THAT AT LEAST PROVISIONAL SALES CONTRACT CAN BE REACHED WITH APPROVAL ALL INTERESTED PARTIES (READ USG), FORD ARGENTINA WILL PROMPTLY DELIVER SAMPLE AUTO.

3. FORD ARGENTINA WOULD BE READY TO PROCEED WITH CUBAN PURCHASING MISSION ON ACTION PLAN LOOKING FORWARD TO SIGNING OF CONTRACT ON OR ABOUT MARCH 18, WITH OPENING OF LETTER OF CREDIT ON APRIL 4 TO COVER DELIVERY 1,500 FORD FALCON AUTOS AND 1,000 HEAVY TRUCKS IN 1974, IF THERE WERE GOOD REASON TO BELIEVE USG WILL ISSUE LICENSES OR WAIVERS WHICH WILL COVER CONTEMPLATED SALES. HOWEVER, FORD MANAGEMENT IS SURPRISED, AS IS EMBASSY, AT REPORT THAT WASHINGTON AGENCIES SEEKING SIGNED CONTRACTS. SIGNING OF SUCH A CONTRACT IN ARGENTINA BY ANY MAJOR US SUBSIDIARY FIRM IS LIKELY TO BE DONE IN OFFICES OF HIGH OFFICIAL, MINISTRY OF ECONOMY, AND TO BE ATTENDED BY SUBSTANTIAL PUBLICITY, SUCH AS ACCOMPANIED SIGNING OF FIAT CONTRACT (SEE REFTEL C). FORD MANAGER FEELS STRONGLY, AND AGAIN EMBASSY AGREES, THAT CONTRACT SIGNING SHOULD ONLY TAKE PLACE IF THERE ARE NO KNOWN POSSIBLE IMPEDIMENTS TO FORD'S CARRYING OUT TRANSACTION.

4. FORD MANAGER STATES HIS SUBSIDIARY AND DETROIT HEADQUARTERS ARE IN AGREEMENT THE MOST DESIRABLE OUTCOME OF PRESENT ARGENTINE-US IMPASSE ON TRADE WITH CUBA IS ACQUIESCENCE TO ARGENTINE DEMAND THAT FORD ACCEPT CUBAN ORDERS. WITHOUT SUCH SALES FORD ARGENTINA WILL HAVE DIFFICULTY IN MEETING GOA ESTABLISHED TARGETS FOR INCREASED AUTO EXPORTS IN NEXT FEW YEARS (FORD'S ARGENTINE FALCON, THOUGH LARGEST SELLING SINGLE AUTO IN ARGENTINA, IS OBSOLETE MODEL VERY DIFFICULT TO MOVE IN EXPORT MARKETS), AND LIKELY TO MAKE FORD ARGENTINA SUBJECT TO PENALTY CUTS IN PERMITTED SALES WITHIN ARGENTINE MARKET. THEREFORE, IF USG READY TO GRANT APPROPRIATE LICENSES OR WAIVERS FROM TRADE WITH CUBA RESTRICTIONS, FORD WILL PROCEED WITH ACTION PLAN AND WORK TOWARD CONTRACT SIGNING. ON OTHER HAND, IF USG DECISION ON LICENSE WAIVER MAY BE DELAYED FOR FURTHER INDEFINITE PERIOD WITH CONFIDENTIAL

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TINUED DOUBT CONCERNING OUTCOME, FORD ARGENTINA MUST AVOID ENTERING PROCESS LEADING TO CONTRACT SIGNING. FORD MANAGER FEELS HE MAY BE ABLE TO FINESSE THE PROBLEM FOR A SHORT PERIOD BY TELLING CUBAN MISSION THAT WHAT HE NEEDS AT THIS POINT IS A COMPLETE AND DETAILED FIRM PURCHASE ORDER FOR STUDY BY HIS COMPANY BEFORE CONSIDERING CONTRACT. IT WAS OFFICIAL US GUIDANCE ON THE BEST WAY TO PROCEED THAT THE FORD MANAGER SOUGHT FROM AMBASSADOR HILL. CONRAD WAS TOLD EMBASSY LACKS CONFIRMA-

TION THAT WASHINGTON AGENCIES SEEKING TO SEE SALES CONTRACTS;
THAT EMBASSY COULD NOT CONFIRM WASHINGTON DECISION IMMINENT
ON SALES TO CUBA PROBLEM AND THAT WE WOULD SEEK INFORMATION
FROM WASHINGTON WHICH COULD BE HELPFUL IN GUIDING FORD ARGENTINA
IN PRESENT SITUATION.

5. CUBAN PURCHASING MISSION HAS PRESENTED LOCAL SUBSIDIARIES
THREE MAJOR US AUTO FIRMS WITH STANDARD-PRO FORMA CONTRACTS
AND IS URGING PROMPT CONSIDERATION AND SIGNATURE. IMPORTANT GOA
OFFICIALS, WITH SOME REGULARITY, ARE CALLING MANAGERS OF FORD,
GM, AND CHRYSLER SUBSIDIARIES TO INQUIRE CONCERNING PROGRESS IN
DEALS WITH CUBA. IN FEB 14 ISSUE PROMINENT B.A. WEEKLY MAGAZINE
"MERCADO," FRONT PAGE SPREAD CALLS ATTENTION TO TWO ARTICLES
COVERING SEVEN PAGES ON ARGENTINE TRADE WITH CUBA. IN ADDITION
TO SPACE GIVEN INTERVIEW WITH CHIEF OF CUBAN PRUCHASING MISSION,
FOUR PAGES DEVOTED TO DESCRIBING CONTRACTS MADE BY "ARGENTINE"
FIRMS COVERING SALES WITH VALUE EXCEEDING US\$263 MILLION. ARTICLE
HIGHLIGHTS PARTICIPATION FIAT AUTO FIRM, WHOSE CONTRACTS COVERING
AUTOS, TRUCKS, AND RAILWAY EQUIPMENT TOTAL US\$200 MILLION.

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